

FRIDAY 1 FEBRUARY 2013
OPENING OF COMMISSION OF INQUIRY
COMMISSIONER'S REMARKS

I have been appointed by The Governor in Council to make a full, careful and independent inquiry into the implementation of the Queensland Health Payroll System which occurred in March 2010.

My inquiry is to have regard to previous reviews. There have been many but the only ones of direct relevance are the Auditor-General's Report, No. 7 of 2010 to Parliament, and two reviews by KPMG in May 2010, into the viability of the system and the difficulties of implementation.

I have been directed to inquire particularly into:

- a. the procurement, management and governance of the implementation;
- b. whether the procurement and implementation broke any laws, contractual provisions, codes of conduct or other government standards; and
- c. the reasons why the price fixed by the contract between the State of Queensland and IBM Australia Limited increased substantially.

I have also been asked to make recommendations to improve the policies, processes and standards applicable to major Queensland Government

information and technology projects, to ensure that in the future high quality and cost effective products and systems are delivered.

The factual background to the inquiry is notorious. The contract price negotiated for the design and implementation of the new payroll system was agreed at \$M6.19, but by the time the system was put into operation the amount paid to IBM had exceeded \$M37. The Government's own costs, incurred on its side of the implementation, were a further \$M64.

In May 2012 KPMG provided another review. It noted that the costs incurred in operating the system to that date had exceeded \$M400. The estimated costs of making the system function for the next five years is another \$M836. The system which was meant to be efficient, economical and largely automated required more than 1,000 payroll employees to perform about 200,000 manual operations and to process 92,000 forms every fortnight.

The human cost of implementation was also high. The system ignored many employees who went unpaid or underpaid. A number were made temporarily destitute, unable to afford the basic necessities of life. Some who were overpaid were falsely accused of fraud. It was, for all affected, a time of great anxiety and hardship. The inquiry is to determine why such large amounts of money have been lost to the public, whether anything might be recovered; and why such distress was inflicted on the Queensland Health workforce.

To assist me in my inquiry the Crown has appointed Mr Peter Flanagan, Senior Counsel, and Mr Jonathan Horton and Ms Anastasia Nicholas of Counsel.

The process of interviewing witnesses, and collecting and analysing documents, has begun, but the task is large. The Commission will not be in a position to commence public hearings for several weeks.

The purpose of today's hearing is to announce the commencement of the Commission and to decide applications for leave to appear by those who have a particular interest in the inquiry.

I invite, and indeed urge, any persons who have information or evidence relevant to the Commission's Terms of Reference, and who have not contacted Commission staff already, to do so. In the first instance contact should be made with the Executive Director, Mr David Mackie.

Any such person who does contact the Commission will be treated with tact and respect, and afforded complete confidentiality. They will have the full protection given to witnesses by the Commissions of Inquiry Act.

The public, parties and the press will be given adequate notice of the date when the Commission will begin public hearings.